



Agenda Report

May 18, 2020

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: PUBLIC HEARING: CITY MANAGER'S RECOMMENDED FISCAL YEAR 2021 OPERATING BUDGET AND ADOPTION OF FISCAL YEAR 2021 OPERATING BUDGET

RECOMMENDATION:

It is recommended that the City Council:

1. Open the public hearing on the City Manager's Recommended Fiscal Year (FY) 2021 Operating Budget;
2. Close the public hearing and formally adopt the FY 2021 Operating Budget;
3. Adopt by resolution the City's FY 2021 Operating Budget and any changes passed by a motion of the City Council; and
4. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund is 10% of gross revenues from retail sales for FY 2021.

EXECUTIVE SUMMARY:

In recognition of the extraordinary circumstances brought on by the COVID-19 pandemic, similar to the adoption of the capital budget, staff is recommending the adoption of the annual Operating Budget in a single Council meeting. The majority of the budget was prepared prior to the Stay At Home orders and therefore, reflected a much different fiscal environment. The recommended budget presented to the City Council includes minimal inflationary growth. However, there is a new list of approximately \$2.47 million in reductions that are recommended for immediate implementation along with the adoption of the budget.

BACKGROUND:

The City of Pasadena's Charter, Section 902, requires that the annual operating budget for the upcoming fiscal year be submitted to the City Council on or before the third Monday in May. Given the extraordinary circumstances brought on by the COVID-19 pandemic, staff is recommending the adoption of the annual Operating Budget in a single Council meeting.

The City Manager's Recommended Operating Budget represents the City's financial plan for FY 2021 and furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with the City's history, culture, and unique character. In addition to the City's anticipated operating revenues and expenses, the recommended budget includes the appropriations for the FY 2021 – 2025 Capital Improvement Program (CIP) and the City's affiliated agencies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

Although, the City entered the COVID-19 pandemic in a strong fiscal position, the projected economic losses are significant and unprecedented. Facing a host of economic questions posed by the pandemic, staff changed course during the annual budget process and modified its original plans in order to present a balanced Operating Budget while preserving essential services. The main adjustment to help offset projected operating losses in FY 2021 was the reprogramming of approximately \$8.5 million in General Fund dollars (Measure I) originally intended for the FY 2021–2025 CIP Budget. It is worth noting that the Recommended FY 2021 Operating Budget is balanced without drawing upon the General Fund reserves. Nevertheless, staff will continue to monitor the financial realities of this public health crisis and recommend additional budget adjustments, if necessary. Staff has identified a series of immediate budget reductions that are not expected to significantly impact existing service levels.

The Recommended FY 2021 Operating Budget has a total recommended appropriations of \$273,011,522 in the General Fund and \$878,636,771 in all other funds, which are detailed by department and affiliated agencies in Attachment A. The full time equivalent (FTE) positions (including affiliated agencies) funded by the General Fund are 1,014.59 and 2,274.49 are funded by all other funds. The table below summarizes this information and compares the numbers to the last two fiscal years.

Total Budgeted Appropriations
 (including Affiliated Agencies and CIP)

in millions

| | FY 2019 Actuals | FY 2020 Adopted | FY 2021 Recommended |
|--------------|----------------------------|----------------------------|--------------------------------|
| General Fund | \$249.8 | \$274.4 | \$273.0 |
| All Funds | \$847.9 | \$871.0 | \$878.6 |

Full-Time Equivalent Positions
 (including Affiliated Agencies)

| | FY 2019 Adopted | FY 2020 Adopted | FY 2021 Recommended * |
|--------------|----------------------------|----------------------------|----------------------------------|
| General Fund | 974.91 | 1,002.80 | 1,014.59 |
| All Funds | 2,181.57 | 2,275.95 | 2,274.49 |

*As of FY 2021, the City's FTE total includes previously "non-budgeted" positions (56.00 FTE MASH trainees, 8.00 FTE Firefighter trainees, 19.32 FTE Retirees). There are no appropriations budgeted for these positions – only the FTE authorization to meet ERP system requirements. An extra 6.9 FTE Retirees have been added in FY 2021 to meet departmental needs for temporary work.

Proposed Reductions

As previously mentioned, there is a list of services and/or programs that are being recommended to reduce the overall operating budget by \$2.47 million. Recognizing the severity that the pandemic has brought to the economic health of our City, these reductions will begin to respond to the loss of City revenues. Below are the reduction details:

| Personnel Reductions (proposed eliminations are vacant positions) | | Department |
|--|---------------------|--|
| Eliminate 1.0 FTE Risk Manager | \$ 203,787 | City Manager |
| Eliminate 1.0 FTE Collections Specialist | 105,690 | Finance |
| Eliminate 1.0 FTE Fire Administrator | 181,256 | Fire |
| Eliminate 2.0 FTE HR Specialists | 195,952 | Human Resources |
| Eliminate 0.975 FTE Library Pages | 30,840 | Library and Information Services |
| Eliminate 1.0 FTE Librarian I | 106,642 | Library and Information Services |
| Eliminate 1.0 FTE Senior Office Assistant | 86,180 | Planning and Community Development |
| Eliminate 1.0 FTE Senior Office Assistant | 85,633 | Parks, Recreation and Community Services |
| Underfill Principal Engineer with Assistant Engineer | 58,900 | Transportation |
| Reduce overtime for civilian staff | 500,000 | Police |
| | \$ 1,554,880 | |
| Non-Personnel Reductions | | |
| Reduce consultant services | \$ 420,000 | Planning |
| Reduce internal service utilities | 310,000 | Public Works |
| Reduce contract services | 120,000 | Transportation |
| Eliminate office lease | 23,141 | Transportation |
| Reduce PEG funding for PCAC | 41,000 | PCAC |
| | \$ 914,141 | |
| Total Proposed Reductions | \$ 2,469,021 | |

| | |
|--------------|--------------|
| General Fund | \$ 1,850,398 |
| Other Funds | \$ 618,623 |

Regarding recommendation number four, pursuant to Pasadena Municipal Code Section 4.100.020, the maximum aggregate amount available for the Light and Power Fund transfer is calculated by multiplying the annual gross electric retail income by 8% and comparing the amount so calculated to the accrual year's actual net income, for a combined total transfer of 16%. The City Council shall by resolution transfer the lesser of the two amounts. However, the City Council may transfer an amount other than that figure if the Council determines that it would not be detrimental to the functioning and administration of the power utility during the budget year under consideration.

For FY 2021, staff is recommending that the City Council adopt a resolution transferring a combined amount equal to 10% of estimated gross revenues, or \$18,000,000.

A copy of the Recommended FY 2021 Operating Budget can be found on the City's website at <https://www.cityofpasadena.net/finance/operating-budgets/>.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the adoption of the FY 2021 Recommended Operating Budget.

ENVIRONMENTAL ANALYSIS:

This action proposed herein is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Section 15060 (c)(2), 15060 (c)(3), and 15378. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

Recommended appropriations (including affiliated agencies and CIP) in the Recommended FY 2021 Operating Budget is \$273,011,522 in the General Fund and \$878,636,771 in all other funds.

Recommended FTE positions (including affiliated agencies) funded by the General Fund are 1,014.59 and 2,274.49 are funded by all other funds.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:



Timothy Park
Budget Administrator

Approved by:



STEVE MERMELL
City Manager

Attachments: (2)

1. Attachment A – Summary of Appropriations by Department and Affiliated Agency
2. Attachment B – City Manager's Operating Budget Transmittal Letter